

APPENDIX D:
MILL BUILDING RENOVATION USING TAX INCENTIVES:
TWO CASE STUDIES

Slatersville Mill Rehabilitation (Industrial Use Redevelopment)

The Slatersville Mill Complex in the village of Slatersville, town of North Smithfield, was acquired by the Slatersville River Properties (affiliated with the Polytop Corporation) in 1993. The complex had been vacant since 1985. Over the next two years the new owner carried out a rehabilitation of one of the buildings, the weave shed, for warehouse, light industrial, and office use. The weave shed is two stories high and made of brick. It was built in 1894 and enlarged between 1900 and 1927, and comprises about 100,000 sq. ft. of floor space. The rehabilitation work included masonry repair, window repairs, storm window installation, loading dock improvements, selective demolition of minor additions, and interior lead paint abatement.

The Slatersville Mill Complex, including the weave shed, is listed on the National Register of Historic Places. Consequently, the owners were able to take advantage of a 20-percent federal tax credit on the costs of the rehabilitation by carrying out a “Certified Historic Rehabilitation.” The owners met the requirements of this tax credit by designing the rehabilitation work to comply with the Secretary of the Interior’s *Standards for the Treatment of Historic Properties*. They developed the specifications for the work in consultation with the architectural staff of the R.I. Historical Preservation and Heritage Commission. The work plan was then reviewed and approved by the National Park Service, which allowed the owners to take the tax credit. ((20))

Kaiser Mill Rehabilitation (Mixed Use Redevelopment)

Franklin Court, a 92-unit assisted affordable living project, completes the redevelopment the former Kaiser Mill Complex in the town of Bristol, which took place in four phases. This included two successful phases of federally financed elder independent living units, providing 96 units of housing to low-income seniors of Bristol and surrounding communities, and a third phase providing office/commercial space that was leased to the R.I. Department of Children, Youth, and Families (DCYF).

Franklin Court and the DCYF renovations qualified for state tax credits under the Mill Building and Economic Revitalization Act. Historic preservation tax credits provided an additional resource, with the *caveat* that to use those credits developers were bound to ensure that renovations complied with local, state, and national historic preservation requirements. For example, Franklin Court was required to incur an additional cost of approximately \$240,000 to design and install windows with specific and identical profiles appropriate to an historic restoration. This cost was offset,

however, by both the mill revitalization and historic preservation tax credits, which, in effect, generated an additional source of income for the project.

The following is a Sources and Uses Statement for the Franklin Court project that illustrates this. ((21))

Franklin Court
Sources and Uses

Uses

Acquisition	431,933.00
Construction	7,905,700.00
Contingency	775,170.00
Soft Costs (Architectural, Surveys, Legal, Accounting, etc.)	961,519.00
FFE	566,000.00
Finance & Carrying Costs	782,600.00
Latent Defect	79,057.00
Developer Fee	685,040.00
Operating & Contingency Reserves	988,748.00
Total Uses	13,175,767.00

Sources

	Rate	Amount
Rhode Island Housing First Mortgage	8.25%	3,200,000.00
Rhode Island Housing Targeted Loan	5.00%	660,000.00
HOME Funds through Rhode Island Housing	6.31%	500,000.00
Sponsor Loan (Community Development Block Grant funds)	6.39%	25,000.00
Sponsor Loan (Community Development Block Grant funds)	6.00%	175,000.00
Sponsor Loan (Developer Fee funds)	6.39%	340,767.00
Low Income Housing Tax Credit Proceeds		5,243,558.00
* <i>Historic Tax Credit Proceeds</i>		2,033,739.00
* <i>Mill Revitalization Tax Credit Proceeds</i>		555,115.00
* <i>Enterprise Zone Business Tax Credit (estimated)</i>		192,588.00
Federal Home Loan Bank - Affordable Housing Program Grant		250,000.00
Total Sources		13,175,767.00